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C O N F I D E N T I A L SECTION 01 OF 03 SOFIA 000192

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TAGS: [PGOV](#) [KCRM](#) [KCOR](#) [BU](#)
SUBJECT: BULGARIA ROCKED BY INTERIOR MINISTRY SCANDAL

Classified By: Ambassador John Beyrle for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Bulgaria has been shaken by a snowballing Interior Ministry scandal that involves top Ministry officials and threatens to destabilize the Socialist-led government of PM Stanishev. The high-profile controversy has already led to the arrest of two top MOI officials and triggered mounting calls for the dismissal of Interior Minister Petkov, one of the most influential figures in the ruling Socialist Party (BSP). The scandal has escalated in the past week, revealing more and more unsavory ties between senior Interior Ministry officials and shadowy businessmen, including Minister Petkov's contacts with well-known organized crime figures. The scandal has further blackened the government's image at home and Bulgaria's already tattered reputation in Brussels, and could lead to Petkov's ouster and a cabinet reshuffle. Now all eyes are on PM Stanishev, who is under intense pressure to sack his party's most powerful minister. END SUMMARY

UNSAVORY CONNECTIONS

12. (SBU) The scandal has created by far the greatest turbulence in the Ministry of Interior (MOI) since the end of the communist period. It started two weeks ago when opposition MP Atanas Atanasov (a former domestic intelligence chief) disclosed the contents of an unsigned disk with intercepted conversations between senior MOI criminal investigators and persons under investigation. The wiretapped conversations implicated the deputy head of the MOI's organized crime unit, Ivan Ivanov, in leaking information to gray economy businessmen involved with manufacture and distribution of alcohol in order to thwart investigations against them. Ivanov's March 18 arrest unleashed an avalanche of further revelations within the MOI. A week later, the MOI's former number two, Gen. Ilia Iliev, was also detained for abuse of power and obstruction of justice while in office. In the course of Ivanov's investigation, according to prosecutors, Iliev was discovered

to have authorized unlawful wiretappings. Iliev's arrest came four months after he quit the Ministry, claiming he had been "tricked" into allowing the issuance of Bulgarian identity documents to notorious Serbian drug dealer Budimir Kujovich. The controversy over Iliev's resignation, dubbed the "Kujovich affair", made front-page headlines in the local press, triggering accusations about MOI officials' protecting organized crime figures.

13. (SBU) The ongoing investigations against the two arrestees, led by the recently established State Agency for National Security (DANS), have revealed more and more unsavory connections between shadowy businesses and politics.

The scandal reached new heights when DANS' Chairman confirmed leaked reports of Interior Minister Petkov's own meetings with alleged criminals. Petkov, who was summoned twice to testify before Parliament's Domestic Security Committee, rejected claims by opposition MPs that he was the subject of an investigation codenamed "the Cigarette lighter" (for someone in the Ministry who was tipping off criminals about investigations) but admitted having "sanctioned" contact with key suspects in special police investigations. According to MP Atanasov, Petkov had met with the notorious Galevi brothers, alleged to be among the country's drug trafficking bosses. Another controversial figure, Alexei Petrov, a former commando and an insurance company owner, purportedly served as the middle man for the meeting. Petkov said the meeting was "necessary in order to protect public interests" which, according to media speculation, involved brokering a peace deal between warring organized crime groups on the eve of Bulgaria's EU accession in January 2007. In a dramatic twist, Petkov also revealed that Petrov had actually served as an MOI undercover agent. Both the Chairman of DANS and the Prosecutor General told the Embassy separately that Petkov's disclosure of this name could constitute an indictable offense.

POWERFUL MINISTER UNDER FIRE

14. (SBU) The revelations about Petkov pose a serious test for Prime Minister (and Socialist Party Chairman) Sergei Stanishev, who has come under increasing pressure to part with one of the most influential figures in the government and the BSP. Dismissing Petkov will not be an easy move, given his powerful influence within the Socialist apparatus. According to party insiders, Petkov's ties with controversial businessmen date back from the time when he served as BSP deputy chair in charge of party financing and arranged funding from shadowy groups, including the organized crime group SIC. Petkov's political skills, coupled with close ties to President Georgi Parvanov, have helped him accumulate

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significant authority in the BSP and earn his ministerial seat. Previously called "the Regent" because of his close ties with the less-experienced Stanishev, Petkov still enjoys strong influence in the party local branches. Relations between Stanishev and Petkov, however, have significantly deteriorated since last May when the PM launched a plan to bring the domestic intelligence service under the PM as part of DANS -- an unconcealed effort to curb Petkov's powers without firing him from the government, which would have gained the PM a powerful enemy inside the party.

POLITICAL TENSIONS MOUNT

15. (SBU) In a statement on March 28 the PM put on a brave face and said the developments at the MOI could hardly be termed "scandal" as they actually helped "clean house," and blamed former Generals affiliated with the opposition for orchestrating a smear campaign against MOI's top officials. At the same time, the PM vowed that "there will be no political umbrella over anybody," and pledged that "everyone caught in wrongdoing will bear legal responsibility, but on

the basis of clear evidence by the prosecution, not speculation." Stanishev said he had ordered an investigation of the past 10 years of the performance of the MOI's anti-organized crime unit, which was most shaken by the scandal. The PM did not mention Petkov, and blasted the center-right opposition for seeking to gain political dividends from the scandal.

ROLLING HEADS?

16. (SBU) Socialist MPs and party insiders tell us there is growing sentiment within the BSP and coalition for parting with Petkov, who has become a huge liability for both the Socialists and the government. BSP MP Tatyana Doncheva openly called on the PM to get rid of Petkov, "otherwise the scandal will snowball and sweep away the whole government." An advisor to Stanishev told us the PM himself has been seriously considering Petkov's dismissal, either as a separate act or as part of a long-planned government reshuffle that has been mulled for some time by the ruling coalition. Stanishev's confidant told us the PM planned to discuss the matter with the other two party leaders of the coalition, which also includes the ethnic Turkish Movement for Rights and Freedoms and ex-PM Simeon Saxe-Coburg Gotha's NMSS party. Our contact said Petkov's ouster seemed likely but noted the PM's apprehensions that if removed, Petkov may seek revenge and destabilize the BSP ahead of the 2009 general elections.

17. (SBU) Stanishev's camp seemed also to be concerned by the reaction of President Georgi Parvanov. Petkov managed Parvanov's successful election campaign in 2001 and the two are considered close. Parvanov has appeared uneasy about the growing independence of Stanishev, his political protege, and has relied strongly on Petkov for enforcing his influence within the government. Nonetheless, the President, who enjoys considerable influence within the Socialist ranks, broke his silence March 28 to say that the continued MOI scandals were seriously damaging the country's image in the EU.

RISING EU PRESSURE

18. (SBU) During his March 28 visit, EU President Barroso gave voice to Parvanov's concerns, criticizing Bulgarian authorities' tolerance of corruption and organized crime. After meeting with PM Stanishev, Barroso commented that "it remains a source of frustration that some Bulgarians are undermining the reform process." The EC -- which has already frozen some structural funding because of corruption concerns -- is due to release in July a report on Sofia's overall progress in fighting crime and high-level corruption. Barroso said the report will be "fair and objective," but strongly warned it was impossible to constantly repeat to Bulgaria that "more has to be done in the fight against crime and corruption."

COMMENT

19. (C) The escalating scandal poses the biggest challenge to the Socialist-led government since it took over in 2005. The investigation is also the first major test for the new domestic intelligence service DANS to prove its political independence and effectiveness. In separate discussions with the PM's National Security Advisor and the Prosecutor General, the Ambassador stressed the serious erosion of confidence the government faces in U.S. and European eyes the

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longer Petkov remains in charge of his compromised ministry. Both readily acknowledged that Petkov must go, but stressed the need for the PM to first build sufficient support for the move within his Socialist Party. The speed and skill with

which PM Stanishev manages this will be another indication of his independence from President Parvanov, his former mentor, as well as his ability to lead the Socialist Party away from the web of corrupt relationships that are at the very core of the current scandal. End Comment.
Beyrle